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INTERAGENCY INTELLIGENCE ASSESSMENT

10 August 1981

• RAMIFICATIONS OF PLANNED US NAVAL EXERCISE IN THE
GULF OF SIDRA, [] 1981 []

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This assessment was prepared at the request of the Director of Central Intelligence under the auspices of the National Intelligence Officer for Near East and South Asia. Contributions were provided by the Bureau of Intelligence and Research, Department of State; the Defense Intelligence Agency; the National Security Agency; and the intelligence organizations of the Army, Air Force, Navy, and Marine Corps. It has been coordinated at the working level. []

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SUMMARY CONCLUSIONS

- The Libyan Government is likely to view the exercise as a conspiracy directed against it. The possibility of a hostile tactical reaction resulting in a skirmish is real. Even without such a skirmish, the Libyan Government may view the penetration of its claimed waters and airspace as "an incident."
- There are several nonmilitary reaction options open to Tripoli, notably a petroleum boycott, nationalization of petroleum facilities, and harassment of US nationals. The first two would be limited in effectiveness and unlikely under most scenarios. The third is more probable.
- Libya's adoption of a clandestine terrorist reprisal policy is also possible.

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- Reaction in the Arab world generally will be negative but nonspecific. The exercise, however, will be seen in the context of recent Israeli hostile actions and could accelerate the downturn in US-Arab relations.
- Most West European governments will react critically, especially if the major governments are not consulted or individually notified in advance of the routine NOTAM.
- The Soviets will be able to speed the pace and broaden the scope of their military cooperation with Libya.
- Some results of the operation inimical to US interests could be mitigated if the operation were delayed

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(1) The number of US citizens in Libya would be reduced.

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Libyan Perceptions

Qadhafi believes that the United States seeks to dominate the Arab world. During the past two years he has demonstrated increased sensitivity to US military operations off the Libyan coast. Growing international isolation has intensified his personal fears of US plots and provocations. Recent statements by US Government officials, persistent US media coverage of "the Libyan threat," and the closing of the People's Bureau in Washington compound his unease.

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Qadhafi also has been concerned about the possibility of a strike by Israel. Following the recent destruction of the Iraqi nuclear facility

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Given the foregoing, a hostile Libyan reaction is a distinct possibility. Qadhafi claims the Gulf of Sidra south of 32° 30'N to be sovereign Libyan territory.

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Even if a premeditated decision to engage US forces is not made, the possibility of a hostile incident through miscalculation exists and will increase during the exercise. Libya will probably launch a large number of fighters, and a number of naval units will probably attempt to monitor the exercise. The scope of these likely reactions may cause command and control problems for Libyan authorities, increasing the possibility that an order might be misunderstood or that an overeager crew might exceed its authority.

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Nonmilitary Options

Petroleum Embargo. Potential Libyan economic reprisals could take the form of an oil embargo against the United States and those West European countries that service 6th

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Fleet naval forces--notably Italy and Greece. While a substantial portion of Libyan oil exports are purchased by the United States (40 percent of Tripoli's 1.7-million-b/d exports in 1980), US dependence on Libyan oil is much less significant--about 10 percent of imports and 5 percent of consumption in 1980. Italy imports about 200,000 b/d of Libyan oil (12 percent of Italian imports) and Greece only about 10,000 b/d. Because of the current soft oil market, the United States, Italy, and Greece could readily obtain alternate sources of high-quality crude. Some US and Italian companies operating in Libya, however, might experience short-term supply problems if denied Libyan oil. For its part, Tripoli's substantial cushion of \$16 billion in foreign assets alone could finance more than one year of imports. []

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Nationalization. Qadhafi could also carry out his oft-repeated threat to nationalize the remaining equity interests of US companies operating in Libya. We do not believe, however, that such an extreme response is likely. Although prone to precipitous actions, since the successes of the early 1970s Qadhafi has largely kept his hands off the petroleum industry, regarding it both as his guarantee of international influence and as his source of funds for the welfare society that has kept his people largely quiescent. Despite the closing of the People's Bureau in Washington, Libya has continued to treat the oil companies more as potential allies than as tools of US policy. If, however, Qadhafi's response was to intern or expel US oil company personnel from the country, within a few months Libya's oil production capability would decline sharply, to a level on the order of 700,000 to 1.2 million b/d. []

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Harassment of US Citizens. The most likely Libyan reaction to a US exercise that resulted in a military incident would be some degree of harassment of the 2,500 or so US personnel working in Libya (approximately 2,000 if the exercise is postponed until dependents return to school). The regime could be selective, arresting and imprisoning a token number of Americans who could be charged with complicity in a US (or US-Israeli-Egyptian) invasion plan. US personnel inside Libya could also be the target of government-incited mobs. []

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Terrorist Options. The exercise may result in a Libyan desire to punish the United States through the use of anti-American terrorism, particularly if Tripoli believed the Libyan []

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hand could be plausibly denied. Links to certain radical Palestinian groups would make them the obvious vehicles for such Libyan retaliation, although other subversive organizations might be utilized. [REDACTED]

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[REDACTED]
[REDACTED] Qadhafi has shown some sensitivity to US accusations of terrorist sponsorship and would take pains to deny Libyan involvement. [REDACTED]

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Third Party Reactions

West Europeans

Many West Europeans will consider the exercise to be provocative and lacking strategic or political purpose. Lack of prior consultation could seriously sharpen West European reactions. And a military incident could significantly reduce the chances of any West European participation in a Sinai peacekeeping force. Some of the allies might feel that, without warning, they were being forced to face the possibility of an oil boycott and terrorist attacks against US interests in Western Europe:

- An oil boycott might not be a major economic threat, but could produce political difficulties as a result of its psychological effect on populations that vividly remember the panic of the 1973-74 boycott.
- The West Europeans would take the possibility of terrorist attacks on their soil very seriously, since several states have experienced them before. [REDACTED]

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In addition:

- The United Kingdom, having been asked to help protect US citizens in the event of an emergency in Libya, would be incredulous at a failure by the United States to consult adequately on its intentions to increase the risks of one. London would worry that Qadhafi might retaliate against UK

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citizens, particularly if he views British help to Americans in Libya as signifying overall UK-US collusion in the exercise.

- France has been more supportive of Camp David than other West European states but would not understand why Washington would choose to complicate an already volatile Middle East situation. Mitterrand would be displeased at US disregard for his intentions to attempt to improve relations with Libya. Any incident--with or without consultation--would set back efforts to coordinate US and French North African policy.
- Italy would worry more about the safety of Italians in Libya and of Libyans and Americans in Italy than about the immediate economic effects of an oil boycott.
- Greece would also be concerned for the safety of Greek workers in Libya. Opposition leader Papandreou might use the US action--and Libyan reaction to it--as ammunition in his electoral campaign against close Greek ties to the United States. [REDACTED]

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Arab World

Reaction by and within other Arab and Islamic states to any exercise-related incident will largely depend on whether expanded hostilities ensue and on the preexisting orientation of particular nations toward the Qadhafi regime. Most governments--Egypt, Tunisia, Sudan, Morocco, and Saudi Arabia--have little love for Libya [REDACTED]

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But governmental perceptions in the Arab world may be quite different from those of the man in the street. Qadhafi's Bedouin moralizing strikes a responsive chord in many Muslims. Some will doubtless draw parallels between the Sadat-Begin meeting which preceded the Israeli strike against Iraq and the recent state visit of the Egyptian President to Washington.

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In the unlikely event

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that serious US-Libyan fighting results, there could be a groundswell of popular outrage in support of an "Arab-Muslim brother"--even such a black sheep as Qadhafi. In such a case, Libya could reap substantial sympathy as an aggrieved underdeveloped nation being bullied by a superpower with links to the "Zionist enemy." These perceptions and particularly their detrimental impact on Sadat's regime make more imperative the question of advance consultation with Egypt. [REDACTED] 25X1

Additionally, the present poor state of Libyan relations with other Arab states could be given a boost. States like Algeria whose ties with Libya have been progressively loosened might feel obliged to express support for Qadhafi. [REDACTED] 25X1

Reaction of Libyan Populace

The Libyan people will learn only as much of the US exercise, and any incident, as their government wishes them to know. Their reaction will be manipulated, and might well include mob scenes--either simple demonstrations or actual attacks on US personnel inside Libya. Their reaction is less significant, however, than the reaction of the Libyan military--which may well have suffered casualties in an incident. The Intelligence Community believes that the reaction of the Libyan military could take either of two opposing forms:

- The military could rally around the Qadhafi regime, as happened during the border war with Egypt in the summer of 1977. [REDACTED] 25X1
- Or, because of increased disaffection with the regime in the past several years, the military could turn against Qadhafi.

We do not have enough evidence of the state of mind within the Libyan military to choose between the two alternatives, although we do believe the military is less likely to rally around the regime than it was in 1977. [REDACTED] 25X1

Soviet Response

The Soviets will move quickly to exploit the situation to fan Libyan apprehensions about the United States and to undercut US arguments that the USSR is the major threat to the Middle East. Coming on the heels of the Reagan-Sadat [REDACTED] 25X1

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meeting, the US naval exercise will cause Soviet propaganda to be especially strident in an effort to isolate the United States, Egypt, and Israel while aligning the USSR with the Arab states. In addition, Moscow will use this example of US "aggression" to exacerbate anti-American feeling in Western Europe. Immediate Soviet military reaction, however, is likely to be low-key and limited to surveillance by the USSR's existing Mediterranean units. The Soviets could also send reconnaissance aircraft to monitor the maneuvers. Moscow will try to erode Qadhafi's previous opposition to a permanent Soviet military presence--such as naval reconnaissance aircraft or access to facilities--by arguing that such a presence would deter the United States, Israel, and Egypt. The Soviets could also offer to expand their military advisory presence in Libya, or suggest a friendship treaty following Syrian or South Yemeni precedents. Over the longer term, the Soviets might offer to hold a military exercise with the Libyan armed forces to demonstrate their support. [REDACTED]

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